

**TOWN OF WELLESLEY
WELLESLEY, MASSACHUSETTS 02481**

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MUNICIPAL LIGHT PLANT

January 2007

Dear Electric Customer:

The purpose of this correspondence is to communicate an increase in electric rates charged to Wellesley residents and businesses. The Wellesley Municipal Light Plant ("WMLP") has successfully reduced its controllable operating costs by 44% since the current rate structure went into effect in January 1993. As a result of these operating efficiencies and favorable power supply contract the electric rates charged to residential customers in surrounding communities is 109% higher than those charged by the WMLP.

When we signed our present power supply contract in 2001, the price of oil was \$19.72 per barrel. Today's price is \$64.00, more than three times what it was in 2001. Natural gas prices, which are also used to generate electricity, have been even more volatile. Our present power supply contract expires in September 2007. After that, we will not be able to buy economical power at a fixed price for a long term, as we have in the past, but will have to sign a series of short-term contracts where prices will be influenced by the spot market. The market price for electricity today has more than doubled since 2001.

In addition to the significant increases in the price of fossil fuels, WMLP costs are impacted by charges imposed by regulatory agencies in Washington and in New England. Northeastern Massachusetts, including Wellesley, is in a "congestion zone" where the demand for electricity exceeds the capacity of power generators in the zone. This is why regulators have assessed surcharges on ratepayers in the zone. Most electric utilities in New England have already passed these costs along to their customers. The WMLP has been able to avoid this so far but we now have no choice except to build these increased charges into our rates.

While we cannot predict the future, it is possible that, five years from now, your electric rates could increase as much as 50%. We sincerely hope this will not be necessary but we think it wise to give you fair warning of what may lie ahead. What we can predict with confidence is that, whatever the required increases may be, your rates will always be significantly below those charged by Boston Edison to our neighbors in Weston, Natick, Newton and Dover.

Your future electric rates will include a Purchase Power Adjustment, the first of which was for 5% and went into effect in January 2006. The next one is for 10% and is reflected in the enclosed January 2007 electric bill. To minimize the shock of additional rate increases, we have undertaken the following initiatives:

CONTINUED ON REVERSE SIDE

January 2007

1. Beginning in February 2007, we will increase your rates by just 1% each month. These increases will continue for the next two years and possibly longer depending on market conditions.
2. Starting in October 2007, we will draw down a reserve of \$3 million that we set aside earlier for rate stabilization.
3. We will continue to manage our controllable costs. Even so, we project that the WMLP will incur operating losses in 2009 and 2010.
4. We will continue to look for ways to conserve energy and to use it efficiently.

Wellesley is fortunate to have its own electric distribution system, not just because of our more reliable service but also because of our ability to provide the lowest possible rates. It is important to note that Wellesley's electric rates did not increase between 1993 and January 2006 while the rates in surrounding communities have almost doubled during the same 13-year period. An independent rate comparison, based on rates in effect as of September 2006, highlights the advantages received by Wellesley residents.

Customer Class*	WMLP	NStar	Percent Higher Than WMLP
Residential	\$91	\$190	109%
* Monthly Residential cost estimate based on 1,000 kilowatt-hours.			

Please do not hesitate to contact me if you would like further information.

Yours truly,

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Director

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